

Energy Crisis A Benefit to Riverside

Riverside operates its own electric utility, which has proven to be a great feature when reeling in companies that are in search of cheap and reliable power.

By Alastair Goldfisher

A year ago, Eric Abdi faced down an impending energy crisis and decided to do something about it. As president and CEO of AmericanMaid, Abdi was paying about \$750,000 a year to Southern California Edison for electricity. Similar to other manufacturers in the state, Abdi was concerned that the threat of rolling blackouts last year would cause an interruption in his firm's ability to manufacture plastic kitchen and bathroom accessories around the clock. Plus, Abdi wanted to escape any additional steep rate hikes in electricity imposed by Edison.

At the time, Abdi, a Corona resident, had his business based in Corona, where he founded it 10 years earlier. Then last summer, Abdi decided to relocate his plastics manufacturing business and all 150 employees 10 minutes down the road to Riverside.

It wasn't the sweet navel orange trees that drew him to the 11th largest city in California. It was Riverside's cheap and reliable energy, which is possible since the

What's more amazing is that the city almost sold its assets five years ago to Edison, just prior to deregulation. At the time, Edison offered less expensive electricity rates, but the city council voted down the idea of selling to Edison.

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— Michael Beck

Then deregulation took affect, and the power shortage, however real or perceived, ensued, followed by rising rates for Edison customers. All this talk about rising electricity costs was worrisome for Abdi, who has to compete against companies that are out of state and thus are not handicapped by California electricity problems.

"I moved because I wanted to focus on my business and competing against overseas companies rather than worry about where I was going to get my electricity and how much I was gonna pay for it," says Abdi.

AmericanMaid completed its relocation last fall. And Abdi says he expects to save \$1

million over the next three years because of the difference in electric rates.

Additionally, Kevin Palmer, economic development manager for the City of Riverside, says that AmericanMaid also will save \$400,000 in an incentive program the city extends to new industrial customers that are large electric users.

Charged up growth

The City of Riverside likely will pace, if not exceed, the metro region's growth. One big reason is that it has its own municipal-owned utility. As a result, it has not been impacted by California Public Utility Commission rate hikes and other hassles. That means it can charge businesses much less for electricity than Edison can, an important consideration given the weight of the energy crisis last year.

Tom Evans, director of Riverside Public Utilities, says the competitive electricity prices his agency provides should remain low for years to come since the city has made long-term energy contracts that will last for the next 20 years.

He says the utility has not raised energy prices for its nearly 100,000 customers since 1998 when electricity rates rose 2%. Still, he maintains the costs remain low despite the recent increases.



Additionally, the city is nearing completion this June of a \$40 million peaker power plant in the eastern part of Riverside that will further enhance the city's energy delivery system. The plant will supply power directly to the city on days when additional peak energy is needed, such as in the summer.



municipal-owned utility promises an uninterrupted and more affordable supply of electricity. According to the Riverside Public Utility Department, industrial electricity rates are about 50% lower for some businesses in Riverside, compared to electric rates from the investor-owned Edison, which services much of Riverside County.

Abdi says that Riverside made a good decision to manage its own electricity, which it has been doing for many years.



The station also will serve as an important source of emergency backup power for Riverside, should a disaster or a PUC-enacted rolling blackout occur on the city or state power grids.

Robert Moran, manager of the Riverside County Economic Development Agency, says the advantages of having a municipal-owned utility and low power rates have enabled the city to attract a dozen sizable businesses, mostly manufacturers, from elsewhere in Southern California in the past year.

A desire to avoid rolling blackouts compelled AME Manufacturing, a maker of rubber, plastic, and metal grips for sports equipment, to consolidate its Ontario and Pomona operations in Riverside. The company also was looking to purchase six acres in the city to expand further.

Palmer says that Riverside utility and economic development officials are meeting with companies in Southern California that are considering relocating to the city because of its electricity benefits.

Palmer hints that other large electricity users, such as food processors, glass manufacturers, and metal fabricators, are considering the move.

Michael Beck, the City of Riverside's Deputy City Manager, says that among other campaigns, the city is in talks to lure a major Orange County manufacturer to Riverside. He said the business, which he declined to name, stood to save \$3 million over the next four years in electricity savings and incentives.

From a manufacturer's perspective, reliable and affordable energy is the number one issue, says Beck, who acknowledges that the city is using that fact to entice businesses to the city.

"We're not at risk to blackouts and other challenges like most other cities because we supply the power," Beck says. "That's a competitive advantage for us and it's a good thing for the businesses."

Incentives trickle down to other areas, as well. Earlier this year, Magnussen Presidential

Furniture announced it is relocating its North American Distribution Center from Ontario to Riverside. Construction of a 400,000-square-foot building is set to finish this summer.

The furniture company will be the newest occupant of Riverside's Sycamore Canyon Business Park, joining a distribution center for Ralph's supermarket and a bottling facility for Pepsi. The business park also is near the site of the new peaker plant under construction.

The city lured Magnussen with an attractive lease rate and freeway access. But also, by moving out of Edison's service area in Ontario, Magnussen's electric rates will drop more than 40%, Palmer says, and the company will save more than \$400,000 over four years on its warehousing electricity bills.

Additionally, Palmer says that Magnussen will benefit from rebates from the Riverside Public Utility for purchasing electric forklifts, rather than propane-powered vehicles.

AmericanMaid

Abdi certainly likes all that Riverside has to offer.

Now that his energy worries have subsided, Abdi is looking to expand his business, which he projects will earn some \$14 million in sales this year.

He says he has been hiring. The company is approaching 200 employees and still has room for more. When he relocated last year, he took a five-year lease on a 75,000-square-foot building in central Riverside that is much larger than his Corona digs. Plus, he's looking to acquire an additional 150,000 square feet in Riverside.

"Riverside is making it easy to do business here," he says.

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No Drop in the Bucket

A recent survey of California water providers found that Riverside Public Utilities' water rates are nearly 60% lower than the state average.

The survey, conducted by Black & Veatch, covers some 460 California cities that are serviced by more than 350 different water suppliers. Black & Veatch reported that the average monthly water charge in California for 15 hundred cubic feet of water (which is equal to about 11,000 gallons) increased from about \$27 in 1999, to nearly \$29 in 2001. But, rates in Riverside come in significantly lower at \$12.13 for the same volume of water.

Overall, Riverside Public Utilities, which is a consumer-owned water and electric utility, services more than 63,500 water customers within the City of Riverside. Additionally, besides cheaper water, H₂O is plentiful in Southern Riverside County, according to the Eastern Municipal Water District. The Water District reported recently that the water supply is adequate to meet the needs of an increased demand despite high growth in the general Riverside metro area. The supply has been helped, in part, by the Inland Empire moving away from its agricultural roots; less farmland means more water has been freed up for residences and businesses alike. Also, the Water District – which provides water for nearly half a million people in a 555-square mile area that includes the City of Riverside – discourages developers from planting huge lawns.



Companies are expanding in Riverside, where they will find cheap and reliable power.